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THE *Demand and Price* SITUATION

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

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SUMMARY

The demand for farm products continues to show exceptional strength and prices received by farmers remain near the record reached in October.

Industrial output continues to gain despite inadequate supplies of steel and is only slightly below the postwar record of March. Nonagricultural employment has advanced to an all-time high with total unemployment the lowest since the war.

Personal incomes are at a record reflecting increasing employment and wage rates, and heavy cashing of terminal leave bonds by veterans.

The upsurge in prices, which began last summer, slackened in October and early November but resumed their rise in mid-November.

Legislative consideration of interim and long term aid to foreign countries has started and the results will have an important bearing on economic prospects for agriculture. Future trends in prices will be affected also by any action taken by Congress to control inflation.

ECONOMIC TRENDS AFFECTING AGRICULTURE

Item	Unit or base period	1946		1947			
		Year	Sept.	July	Aug.	Sept.	Oct.
Industrial production <u>1/</u>	1935-39						
Total.....	= 100	170	180	176	182	186	189
All manufactures.....	"	177	186	183	188	192	195
Durable goods.....	"	192	212	207	210	218	222
Nondurable goods.....	"	165	165	163	169	171	173
Minerals.....	"	134	146	141	150	153	154
Construction activity <u>1/</u>	1935-39						
Contracts, total.....	= 100	267	263	270	289	319	
Contracts, residential.....	"	350	360	333	368	412	
Wholesale prices <u>2/</u>	1926 =						
All commodities.....	100	121	124	151	154	157	158
All commodities except farm and food.....	"	110	112	133	136	138	140
Farm products.....	"	149	154	181	182	186	190
Food.....	"	131	132	167	172	179	178
Prices received and paid by farmers <u>3/</u>	1910-14						
Prices received, all prod.....	= 100	233	243	276	276	286	289
Prices paid, int. and taxes.....	"	194	200	231	235	238	239
Parity ratio.....	"	120	122	119	117	120	121
Consumers' price <u>5/ 6/</u>	1935-39						
Total.....	= 100	139	146	158	160	164	
Food.....	"	160	174	193	196	204	
Nonfood.....	"	128	130	139	140	142	
Income							
Nonagricultural payments <u>4/</u> ...	Bil.dol.	157.9	162.0	172.3	173.1	187.5	
Income of industrial workers <u>5/</u> ...	1935-39	270	292	313	324	334	
Factory payrolls <u>5/</u>	= 100	284	309	334	344	359	
Weekly earnings <u>5/</u> of factory workers							
All manufacturing.....	Dollars	43.73	45.39	49.04	49.21	50.42	
Durable goods.....	"	46.48	48.36	52.23	52.56	53.96	
Nondurable goods.....	"	41.01	42.34	45.68	45.75	46.79	
Employment							
Total civilian <u>7/</u>	Millions	55.2	57.0	60.1	59.6	58.9	59.2
Nonagricultural <u>7/</u>	"	46.9	48.3	50.0	50.6	50.1	50.6
Agricultural <u>7/</u>	"	8.3	8.7	10.1	9.0	8.7	8.6
Government finance (Fed.) <u>8/</u> ...	Mil.dol.						
Receipts, net.....	"	3,467	4,478	2,397	2,536	4,872	2,390
Expenditures.....	"	3,676	2,755	3,669	3,060	2,982	2,445

Annual data for the years 1929-46 appear on page 11 of the April 1947 issue of the Demand and Price Situation.

Sources: 1/ Federal Reserve Board, converted to 1935-39 base. 2/ U. S. Department of Labor, BLS. 3/ U. S. Dept. of Agriculture, BAE. To convert prices received and prices paid, interest and taxes to the 1935-39 base, multiply by .93110 and .78125 respectively. 4/ U. S. Dept. of Commerce revised figures employing new concepts, seasonally adjusted at annual rate. 5/ U. S. Dept. of Labor, BLS. 6/ Consumers' price index for moderate-income families in large cities. 7/ U. S. Dept. of Commerce, Bureau of the Census. 8/ U. S. Dept. of Treasury. Data for 1946 are on average monthly basis.

CURRENT DEVELOPMENTS

The President has proposed to Congress a program to combat inflation, requesting, together with other powers, authority (1) to relieve monetary pressure by restraining the excessive use of credit, (2) to allocate, and control inventories of scarce commodities which basically affect the cost of living or industrial production, (3) to impose price ceilings on vital commodities in short supply that basically affect the cost of living or industrial production, and (4) to ration basic cost of living items.

On November 17, the State Department announced new trade agreements between the United States and each of 22 countries. Some agreements will take effect provisionally on January 1. Reductions in United States import duties on many farm products and other commodities have been negotiated in exchange for concessions by foreign countries.

OUTPUT AND EMPLOYMENT

Overall industrial output increased further in October as virtually all industries expanded output or maintained it at the high September levels. The index of total production in October was 189 (1935-39 = 100), 3 points higher than September and only 1 point below the postwar peak established in March.

Durable goods production continued to increase in October. Steel output reached record levels but supplies continued inadequate at current prices. Output of machinery increased slightly while motor vehicle production remained relatively high despite continued shortages of steel and a slight loss of production as some producers changed over to new models.

Nondurable goods production in October increased slightly to 173 from the September level of 171, 4 points below the record of January and February of this year. Output of textiles and paperboard products increased slightly from the previous month, while the production of manufactured food and petroleum products changed very little.

Total employment in October was estimated at 59.2 million persons, 300,000 more than in September and 2.2 million larger than a year ago. Except for the summer months of this year when students and seasonal workers were in the labor force, the number employed in all industries was the highest on record.

In October, employment in nonagricultural industries equaled the record of 50.6 million persons set last August. This was 400,000 more than in September and 2.2 million larger than a year ago. Moreover, about 2.0 million more persons were employed 35 hours or more in October than in August, indicating that the total number of man-hours employed in October was the greatest on record. The increase in nonagricultural employment accounted for all the gain in total employment. Agricultural employment in October remained at about the September level.

The total labor force in October was estimated at 60.9 million persons, about 100,000 greater than September and 1.9 million larger than a year ago. Since the labor force increased less than total employment, from September to October, the number unemployed declined to 1.7 million persons, the lowest since the war.

INCOME AND RELATED FACTORS

The seasonally adjusted annual rate of personal income increased 15.4 billion dollars from August to a new high of 210.3 billion in September. Although virtually all types of payments rose, the increase in the rate of transfer payments was by far the largest. Most of the increase was due to the cashing of terminal leave bonds by veterans.

The seasonally adjusted annual rate of salary and wage receipts increased 1.8 billion dollars from August to a record of 124.3 billion in September, reflecting the upward movement of total employment and wage rates. A year ago salary and wage payments were at a rate of 113 billion dollars. For the first half of this year they averaged 118.0 billion dollars.

Dollar sales at department stores, seasonally adjusted, declined 4 percent from September to October. The index of sales in October was 278 (1935-39 = 100) compared with 290 in September and an average of 280 for the first nine months of the year. Sales for the first ten months were 8 percent above those of a year earlier. During this time, retail nonfood prices rose about 9 percent, indicating that the unit volume of sales was slightly lower during 1947 than last year.

COMMODITY PRICES

The general price advance which has been underway since July resumed in mid-November after slackening temporarily in October and early November. The BLS index of wholesale prices, which advanced about 2 percent a month from June to September, rose less than 1 percent from September to October and in the first half of November stayed near the October level. However, the upward movement was resumed by mid-November, paced by foodstuffs. The index in October was 159 (1926 = 100), 18 percent above October 1946.

Wholesale prices of nonagricultural commodities (all commodities except farm products and foods) have risen steadily during the past year, with the rate of advance since July about double that of the first half of the year. In October, the index was 140 (1926 = 100), 21 percent above October a year ago.

The index of prices received by farmers in November was 237, two points lower than a month earlier when the index reached 289 (1909-14 = 100), a new record. Heavy export demand for wheat and other food grains and high domestic demand for food is supporting prices of farm products.

The index of prices paid by farmers including interest and taxes in November at 242 (1910-14 = 100) was 1 percent higher than in the previous month, 14 percent above November last year and a new record. The parity ratio--the index of prices received divided by the index of prices paid, interest and taxes--was 119 compared with 121 in the previous month.

Retail prices, as measured by the BLS index of consumer prices, also have advanced rapidly. By September (the latest figure available), the index was 164 (1935-39 = 100), almost 4 percent higher than in July, and 12 percent above September 1946. Retail food prices reached 204 (1935-39 = 100) in September, 5 percent higher than in July and 17 percent above September last year. Reports from stores patronized by farmers indicate that food prices in October were somewhat higher than in September.

FARM INCOME

By the end of November, farmers had received about 27.4 billion dollars from this years marketings, 24 percent above the first 11 months last year. However, Government payments were less than half those of 1946, and total cash receipts for January-November were up 21 percent. Receipts from livestock and products are estimated about 15.6 billion dollars, up 27 percent from last year. Those from meat animals showed a gain of 45 percent, with prices averaging 35 percent higher. Gains in receipts from dairy products and poultry and eggs were smaller and reflected higher prices than last year.

Receipts from crops for the first 11 months of 1947 were about 11.8 billion dollars, 20 percent greater than in the same period last year. With wheat prices during this period averaging around 33 percent above last year, receipts from food grains were nearly two-thirds above a year ago. Receipts from cotton were up about one-third because of higher prices and a larger crop. Receipts from oil-bearing crops showed a similar gain, largely because of increased prices.

In November, cash receipts from farm marketings totaled around 3.3 billion dollars, 11 percent above November 1946 but down seasonally from the monthly record of 3.7 billion dollars in October of this year. Receipts from livestock and products were about 1.6 billion dollars, 6 percent above last November. Those from meat animals were about 10 percent greater than in 1946, with prices showing about the same gain. Receipts from dairy products and from poultry and eggs were slightly below a year ago.

Income from crops in November totaled around 1.7 billion dollars, 16 percent above last November. Increases in prices accounted for most of this gain. Receipts from food grains were up about one-third over November 1946 as a result of the same gain in average prices. Receipts from cotton showed a larger gain, due mostly to increased production.

LIVESTOCK AND MEATS

High consumer incomes continue to support prices of meat and meat animals very high. Demand for meat continued extremely strong in early November when production was nearing a seasonal peak.

Prices of grass cattle have been declining irregularly since June. However, prices are expected to increase seasonally this winter and spring when marketings will decrease and demand for cattle for grazing will increase. The number of steers and heifers is being reduced considerably this year indicating that fewer stocker and feeder cattle will be available for marketing than a year earlier.

The number of cattle to be grain fed for market in the next 12 months is likely to be smaller than in the past 12 months. Heavy weight cattle make up a large proportion of those being fed and high feed prices may result in relatively large marketings from feedlots through early spring. A greater than usual increase in prices of fed cattle may occur next summer, because marketings of long fed cattle will be small at that time.

Prices of lambs are expected to continue high in 1948 and may show unusual strength through early winter. The number of lambs for slaughter in the first four months of 1948 is expected to be the smallest in around 20 years due to the small number of lambs being fed. A large increase in the number of lambs being fed in Nebraska and Colorado this year, both late marketing States, points to relatively small marketings of fed lambs in the early winter and relatively large marketings later.

Hog prices declined seasonally in early November when pigs from the 1947 crop began to be marketed in volume. But prices are expected to increase seasonally in the late winter and early spring. Hog slaughter in the first nine months of 1948 is likely to be about the same as in that period of 1947, since the 1947 pig crops are about the same size as last year. But hog slaughter weights will be lower because of reduced feed supplies and higher feed prices.

Meat production during the spring and summer was considerably greater than in the same period of 1946 but output is now about the same as a year earlier. Meat output in each quarter of 1948 is expected to be smaller than in the same periods of 1947. In the first three quarters, most of the reduction will be in beef.

DAIRY PRODUCTS

Prices of most manufactured dairy products in late November were not much different than at the same time in 1946. Prices probably will show the usual seasonal decrease but are not expected to decline as sharply as last year. During the coming flush production season, prices of manufactured products are likely to be higher than during the 1947 season. Production of the important manufactured dairy products is now running behind last year and is likely to continue to do so for the next few months.

Consumption of fluid milk and cream during September and October apparently was about as large as in the same months of 1946. Earlier in 1947 consumption was behind the previous year.

Milk production for the first 10 months of 1947 was a billion pounds more than last year. Record production per cow more than offset the decline in the number of cows.

POULTRY AND EGGS

Egg prices declined from mid-October to mid-November in contrast to the usual seasonal trend. As production turns upward and exceeds domestic demands, prices are expected to continue to decline and will be at or near support levels. However, prices from January through June, 1948 are expected to average at least as high as in the first half of 1947. The minimum support levels (90 percent of parity) will be about as high as the average price received by farmers for eggs in 1947, if the present level of the index of prices paid by farmers is maintained. Egg consumption during October-November was near a record and is expected to continue very high for the next few months.

Egg production during the first half of 1948 is not expected to be much different than the same period of this year. Because of record feed prices, however, the egg-feed price relationship is likely to be less favorable during the coming hatching season than in the same period of 1947. This is likely to result in a moderate decrease in the number of chickens raised. If this occurs, egg production during the latter half of 1948 will be less than during the latter half of 1947 since the number of pullets to be added to farm flocks will be less.

Turkey marketings are substantially below last year while chicken marketings are about as large. Prices of both chicken and turkey are likely to increase during the next few months as supplies of both poultry and red meats decline seasonally. At present, the United States Department of Agriculture has purchase programs in effect for both chicken and turkey, but no purchases have been made recently.

FATS, OILS, AND OILSEEDS

Factory and warehouse stocks of fats and oils on October 1, usually the seasonal low, were 1,303 million pounds compared with 1,213 million pounds in 1946 when they were the smallest in 18 years. The prewar October 1 average was about 1,900 million pounds. Factory and warehouse stocks of lard on October 1 this year were 114 million pounds larger than a year earlier, but stocks of the vegetable oils used mainly in food products totaled 96 million pounds less and were the smallest since 1931. Stocks of soap fats and drying oils were slightly larger than a year earlier.

Total supplies of fats and oils in the year beginning October 1947 are likely to be about the same as a year earlier. Production from domestic materials probably will be slightly larger. Increases in cottonseed oil, linseed oil, and butter probably will more than offset decreases in lard, grease, tallow, and soybean oil. Imports of linseed oil will decline sharply since the domestic crop of flaxseed is expected to provide enough linseed oil to meet demand at current high prices. Imports of other oils and fats, including oils seeds in terms of oil, may increase because of improved world supplies, but probably not enough to offset the decline in linseed oil imports.

Large exports of fats and oils have been authorized for October-December 1947, but export policy for 1948 has not been determined. European demand for fats, oils, and oilseeds continues strong.

Prices of fats and oils continue high. In early November, they averaged 66 percent above June 1946, the last month price ceilings were at wartime levels for most fats and oils, but still were 8 percent below the record reached last March. Oilseed prices also are high. In mid-November, prices of soybeans at country points in the Chicago area were around \$3.60 per bushel compared with a ceiling price of \$2.10 per bushel for the 1945 crop. No. 1 flaxseed at Minneapolis in mid-November 1947 was \$6.80 per bushel compared with a ceiling of \$3.10 for the 1945 crop. In mid-October, 1947, farmers received an average of \$90.60 per ton for cottonseed compared with \$51.10 for the 1945 crop. The mid-October price to farmers for peanuts was 9.96 cents per pound compared with 8.26 cents for the 1945 crop.

CORN AND OTHER FEEDS

Feed prices continue to reflect strong demand and the smaller 1947-48 supply. Prices of feed grains have declined only moderately from the records reached in September. In early November, wheat prices were high relative to corn, which will discourage wheat feeding. Hay prices were moderately higher than a year earlier.

Feed prices are expected to continue high this winter and next spring. Active competition is in prospect for the smaller marketings of corn and oats, especially during late winter and next spring, when sales by farmers will be seasonally small.

Government loan rates on 1947 corn announced by the Department of Agriculture averaged \$1.37 per bushel nationally. Prices of corn and other feed grains are much above the loan rates and only small quantities of 1947 feed grains are expected to be placed under loan.

During October, weather was favorable for maturing and drying the corn crop, and soft or wet corn is now expected to be only a minor problem this season. The November 1 estimate indicated that corn production this year will be 2,447 million bushels. Total 1947 feed grain production was estimated on November 1 at 97.5 million tons, 22 percent less than the 1946 record.

The total feed concentrate supply in prospect for 1947-48 is 139 million tons, compared with 162 million in 1946-47, and a 1937-41 average of 136 million tons. Supplies per grain consuming animal unit are about 14 percent smaller than last year. Supplies are nearly as large as the average for 1937-41 but rates of feeding are much higher. Moreover, market supplies of feed grains will be smaller than in 1937-41, and the demand for feed, food and industrial purposes is much greater.

WHEAT

Wheat prices are high because of the large domestic and export demand. Prices have advanced sharply since August due partly to persistent dry conditions in parts of Kansas, Oklahoma, and Texas which, until recent rains, delayed seedings and prevented germination.

If wheat feeding is held down to 250 million bushels, from 450 to 500 million bushels would be available for export depending on the size of the carry-over next July 1. The actual size of our exports will depend upon prospects for the 1948 crop. On the basis of the October 1 stocks report and information on the early season use of wheat it now appears that the quantity that will be fed may not exceed 250 million bushels compared with earlier expectations of 325 million bushels. In the July-September quarter, corn feeding was heavier and wheat feeding lighter than had been expected. Corn prices have now adjusted to new crop conditions, making corn much cheaper to feed than wheat. Moreover, the feeding quality is better than had been expected earlier. Feeding for the remainder of the marketing year will depend upon such factors as the severity of the winter, livestock-feed price relationships, and the rates of livestock marketing. Estimates of the quantity of wheat fed will need to be re-examined as reports on stocks and other data for each quarter become available.

Domestic distribution other than feed is little different from that indicated previously. Food use is now estimated at 510 million bushels, seed at 85, and industrial use probably less than a million. These items, together with feed at 250 million, total about 845 million bushels. With a total supply for the year indicated at 1,491 million bushels (84 million carried over July 1 and a crop of 1,407 million), a domestic disappearance of 845 million bushels would leave about 650 million bushels for export in 1947-48 and for carry-over July 1, 1948. On this basis we could have a carry-over of 200 million bushels and still export 450 million bushels.

In these estimates, savings as a result of the work of the Luckman Committee and the Department's grain conservation committee have not been taken into consideration. Such savings would increase the carry-over above 150 million bushels or permit increased export.

FRUIT

Despite large supplies, prices of most fruits in December are expected to continue fairly steady at levels near those of a year earlier. In January, prices for apples and pears probably will rise about seasonally while those for citrus may decline less than usual.

With the usual large harvest-time supplies of apples out of the way, prices received by growers are expected to become firmer in December and advance about seasonally in winter. Although demand for apples for export and processing is not quite as strong as last season, prices probably will be nearly as high this winter as last. Prices for pears and grapes also are expected to advance this winter but at a slower rate than last winter.

The 1947-48 citrus season in Florida and Texas has been slow in getting under way, and by mid-November reported shipments from these States were substantially smaller than in the corresponding part of the 1946-47 season. As shipments gained volume in October, however, terminal market auction prices for oranges and grapefruit dropped sharply. Mid-November auction prices for most Florida and Texas citrus were near the prices of a year earlier, and those for California oranges were sharply lower. In December, Christmas demand will tend to hold prices steady,

and the usual post-holiday declines may be smaller this season than last because demand for processing will tend to support prices, especially those for oranges. Total stocks of canned orange juice and blended orange and grapefruit juice were considerably smaller on November 1, 1947 than a year earlier, and those of canned grapefruit juice were slightly smaller.

TRUCK CROPS

For Fresh Market

During the remaining weeks of this year, most commercial truck crops produced for the fresh market will bring substantially higher prices to farmers than a year earlier because of sharply lower production and continued strong demand. Prices in the first few months of 1948 generally will be near those of the first quarter of 1947.

Production of 13 commercial truck crops for harvest this fall (October, November, December) is fully one-fifth smaller than the record output in 1946, but is slightly above the fall average for 1935-45. Relative to last fall, production this fall will be substantially larger only for lettuce, about the same as last fall for cauliflower and spinach and considerably less for other crops. Leading contributors of tonnage, in decreasing order of importance, will be cabbage, celery, lettuce, carrots, and tomatoes.

Early reports on commercial truck crops intended for the fresh market in January, February, and March indicate the probability that winter season production will be slightly to moderately higher than last winter for beets, shallots, and spinach, but considerably smaller for cauliflower and kale. Slight increases in acreage are indicated for winter cabbage and lettuce.

For Processing

Demand for canned and frozen vegetables will continue strong this winter and only moderate stocks are expected on carry-over dates at the end of the 1947 pack year. Demand for truck crops for commercial processing probably will be slightly to moderately stronger next spring than it was a year ago because of the expectation of smaller stocks.

POTATOES AND SWEETPOTATOES

Three major factors largely account for the substantial rise in prices received by farmers for potatoes from October to November. First, harvesting of the crop was completed and potatoes for which permanent-type storage space was not available were marketed or moved into the hands of the Government. Second, much cooler weather throughout the northern and northeastern States in November stimulated consumption of and demand for potatoes. Third, prices set up under the Government's 1947-crop price-support schedule advanced 20 cents per hundred pounds on the first of each month through January 1, 1948.

These factors, together with the fact that this year's crop in the 18 surplus late States only equals the 1936-45 average probably will result in prices averaging somewhat above support levels through early January. For this reason, the Department of Agriculture discontinued until further notice the purchase of potatoes, effective November 23, 1947.

Prices received by farmers for sweetpotatoes are expected to rise more than seasonally in the next few months and to average well above support levels. The total crop is 13 percent smaller than in 1946 and 9 percent smaller than the 10-year average. The crop in Louisiana, the principal State producing for commercial shipment, is even further below last year and the average.

Rapid harvesting and marketing in New Jersey, Virginia and the Eastern Shore of Maryland, where storage facilities always are inadequate, forced prices in these States down to support levels during the active digging season. More than 60 percent of the rail shipments from these States through November 1 were sweetpotatoes purchased by the Government to support prices. No purchases will be made during the period November 16-December 31, 1947, unless the sweetpotatoes offered for delivery are deteriorating and immediate diversion or disposal is necessary.

DRY EDIBLE BEANS AND PEAS.

Sustained by a strong demand for domestic use and shipment abroad, prices received by growers for dry edible beans and dry peas in the next few months are expected to continue near recent levels. Beans may be a little lower but peas may be higher. In October, beans averaged \$12.00 per 100 pounds, substantially above support levels, while peas averaged \$4.93 per 100 pounds, slightly above support levels. Thus far this season, Government purchases of peas for relief feeding abroad have been substantial but those of beans were smaller. For the entire season, purchases and shipments of peas may exceed 2 million bags, but those of beans may not be more than a million bags.

Because of favorable harvesting weather, total dry bean production turned out larger than earlier expected. The 1947 crop of 16.8 million bags is about 7 percent larger than the 1946 crop and 3 percent larger than the 1936-45 average. The dry pea crop of 6.5 million bags is about 5 percent smaller than the 1946 crop but 34 percent above average.

COTTON

Cotton prices have fluctuated irregularly during the last several weeks but the trend has been slightly upward. In mid-November, cotton was nearly 3 cents per pound higher than in early October. The average price of Middling 15/16" in the ten spot markets for the week ending November 18 was 33.42 cents per pound compared to 32.75 a week earlier and 31.63 a month earlier.

Sales of spot cotton in the ten markets have been exceptionally high recently. In fact, sales in October were reported at 2,043,000 bales, a new record for any month. Reported sales in September were 873,000 bales and in October, 1946 were 826,000.

Consumption of cotton by domestic mills in October was reported at 826,000 bales. This was 14 percent higher than in September, but 12 percent below October, 1946. Cotton spindles operated at 122.9 percent of capacity, based on an 80-hour week, compared to 114.3 for September.

Exports of raw cotton during October were 124,000 bales while exports of cotton textiles were 130.7 million square yards. This quantity of goods is estimated as roughly equivalent to 130,000 running bales of cotton.

On November 1, the cotton crop was estimated at 11,505,000 bales of 500 pound gross weight. This was 3,000 bales lower than the October 1 estimate. Ginnings prior to November 1 totaled nearly 8,362,000 running bales or about 75 percent of the expected crop for this year. According to ginnings through October 31, the proportion of Strict Middling and better grades is much higher than in the last years' crop but the staple length is somewhat shorter.

WOOL

CCC selling prices for domestic wools were revised sharply, effective October 25. Prices of medium and coarse grades (3/8 blood and coarser) generally were reduced 9 to 13 cents a pound, clean basis, to improve their competitive position with foreign wools. Prices of short length fine and half-blood wools were reduced 1 to 4 cents a pound, while those for staple combing length fine wools were increased 1 to 3 cents. Selling prices for fine staple combing, territory wools now average \$1.26 a pound, clean basis, and 3/8 blood combing territory wools average \$1.01 a pound. These prices apply to the 1946 and 1947 clips. Wools from earlier clips will be sold at a discount of 3 cents a pound from the revised prices for 1946-47 wools.

CCC selling prices for most grades of domestic wool now appear to be below replacement costs of comparable foreign wools. But unless foreign prices increase further, costs to mills for medium and coarse grades of foreign wool may again drop below costs of comparable domestic wools if the lower duty on raw wool negotiated at Geneva becomes effective January 1. The duty on raw wool grading finer than 44s is reduced 25 percent, or 8.5 cents a pound, clean basis, under the negotiated trade agreements.

Prices of spot foreign fine wools at Boston continued to advance in October and early November. This reflected firm to rising prices in foreign markets and small spot supplies at Boston. Prices of medium and coarse grades of foreign wool at Boston, which had been rising, became irregular after the lower selling prices for domestic wools were announced.

CCC sales increased sharply in the third quarter of 1947 and the higher rate was maintained through October. Almost all of the sales during these months were of fine wools. With CCC prices for medium wools sharply reduced, sales of medium grades may increase. CCC wool stocks totaled about 370 million pounds (grease basis) at the end of September compared with peak holdings of 540 million pounds at the end of September 1946.

Imports of apparel wool (dutiable) since June have been only about 60 percent of the January-June rate. American buying in foreign markets has been light since the 1947-48 season opened in September, and imports are likely to continue small through December. Total imports for 1947 will be little more than half as large as the 1946 record of 812 million pounds (actual weight) and will be the smallest for any year since 1940.

TOBACCO

Prices of flue-cured tobacco during November were lower, partly due to the fact that the British stopped buying in late October. Prices for auction sales of Old and Middle Belt and Eastern North Carolina flue-cured during November averaged about 39.0 cents per pound compared to 41.6 cents for all sales of 1947 flue-cured prior to the British announcement. The average price for November sales last year was 43.6 cents per pound.

Domestic consumption of tobacco in the form of cigarettes continued high in October, running about 1 percent above October 1946. Total United States exports of flue-cured during September were 24 percent lower and those to the United Kingdom about 27 percent lower than the same month a year ago. The November crop report raised the flue-cured production about 3 percent above the previous month and nearly up to last year's record. With a large carry-over, total supply for 1947-48 is now 5 percent above that for the preceding year. The 1948 national marketing quota has been proclaimed and will result in about a 27 percent reduction in total allotted acreage.

Burley auction sales began December 1. Production this year is 14 percent lower than last year but total supply for 1947-48 is approximately the same. Both domestic consumption and exports during 1946-47 set new records. Domestic use is likely to continue high as large quantities of burley are used in cigarettes. Exports in the months ahead are more uncertain. The average loan rate, computed at 90 percent of the September parity price, is 40.3 cents per pound. Last year, the average loan rate was 33.6 cents and the season average price received by farmers was 39.7 cents. About 148 million pounds of burley were placed under Government loan last year.

Producers of dark air-cured tobacco began marketings in late November and early December. Production of these types this year was about 13 percent smaller than in 1946 but larger carry-over makes total supplies for 1947-48 moderately larger than last year. Exports during 1946-47 were down sharply and domestic use in chewing was probably 15 percent smaller. The price support for the 1947 crop is about 20 percent higher than last season.

The marketing of Virginia fire-cured also begins in the first half of December. Virginia fire-cured production this year was about 14 percent lower than 1946. Exports of dark Virginia in each of the last two marketing years have been 7 million pounds about one-fourth lower than 1934-38 average. Price supports will be higher than a year ago.

Tax paid withdrawals of cigars were substantially greater in October than in September and only slightly below October 1946. Wholesale prices of popular brand cigars are about 14 percent higher than in July 1946 when price controls on tobacco and its products were terminated. Wholesale prices of cigars have declined slightly since the first half of 1947.

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